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BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE APPLICATION OF
TUCSON ELECTRIC POWER COMPANY
FOR APPROVAL OF ITS 2011-2012
ENERGY EFFICIENCY IMPLEMENTATION
PLAN

Docket No. E-01933A-11-0055

RUCO'S NOTICE OF FILING

The RESIDENTIAL UTILITY CONSUMER OFFICE ("RUCO") hereby provides
notice of filing the Rebuttal Testimony of Jodi A. Jerich, in the above-referenced matter.

RESPECTFULLY SUBMITTED this 6th day of July, 2012.

Daniel W. Pozefsky
Chief Counsel

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**TUCSON ELECTRIC POWER COMPANY
DOCKET NO. E-01933A-11-0055**

REBUTTAL TESTIMONY

OF

JODI A. JERICH

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

JULY 6, 2012

1 Q. Did you previously file testimony in this docket?

2 A. Yes. I sponsored Direct Testimony in support of TEP's Updated Plan.

3

4 Q. Have you read the Direct Testimony filed by the other parties in this
5 docket?

6 A. Yes.

7

8 Q. Does RUCO continue to support TEP's Updated Plan??

9 A. Yes.

10

11 Q. TEP witness Mr. Hutchens, in his Direct Testimony, characterizes the
12 Updated Plan as "a bridge between now and the end of the rate
13 case". (Hutchens, Direct Testimony, p. 2) Does RUCO agree with this
14 characterization?

15 A. Yes.

16

17 Q. Why does RUCO support TEP's Updated Plan?

18 A. In my Direct Testimony, I provided several reasons why the Updated Plan
19 is in the residential ratepayers' interest. In addition to those delineated
20 reasons, RUCO agrees with the reasoning of TEP witness, Denise Smith,
21 found in her Direct Testimony which reads in part:

22 "This Updated Plan allows TEP to increase its EE programs
23 well before the conclusion of its upcoming rate case,
24 providing a smoother ramp up of programs and costs
25 needed to try to meet the Commission's EE Standard. The

1 Updated Plan also represents a compromise position that
2 still provides net benefits to all customers, provides
3 programs for customers to reduce their electric bill, provides
4 stability to the DSM market place, and provides a bridge
5 mechanism to TEP's next rate case, where lost fixed cost
6 recovery can be synchronized with TEP's future
7 implementation plans." (Smith, Direct Testimony, p. 10)
8

9 **Q. After reading the testimony of the other parties, do you have a**
10 **different perspective on the Updated Plan?**

11 **A.** Somewhat. In my Direct Testimony, I stated that the Updated Plan
12 provided a program that gave TEP "*a reasonable opportunity to meet its*
13 *EE goal.*" (Jerich, Direct Testimony, p. 2) However, TEP witness, David
14 Hutchens, testified in his Direct Testimony that the Updated Plan does **not**
15 allow TEP to meet the 2012 or 2013 Standard. "However, it will provide
16 TEP with the opportunity to narrow the compliance gap with the EE
17 Standard in the future rather than the status quo." (Hutchens, Direct
18 Testimony, p. 12)

19
20 RUCO continues to support the Plan and finds it understandable that TEP
21 would be unable to meet its current year EE requirement. Since any
22 DSMS reset and authorization of a new EE Plan would take place in
23 October 2012 at the earliest, it is difficult to reach 12 months of energy
24 savings in the last three months.

1 **Q. Does TEP need a waiver of the EE Rules?**

2 A. No. A waiver is not necessary. First, TEP is not seeking a waiver at this
3 time. Furthermore, as Jeff Schlegel, from SWEEP, testified, "The Electric
4 Energy Efficiency Standard is a cumulative standard meaning that TEP
5 has the opportunity to catch up to the requirements of the standard over
6 several years." (Schlegel, Direct Testimony, p. 7)

7
8 **Q. Does RUCO support Staff's recommendation to increase the Updated
9 Plan's Budget from \$18.5 million to \$25 million?**

10 A. No. Staff proposes adding \$6.5 million to TEP's Energy Efficiency
11 Implementation Plan. This would increase the average residential monthly
12 bill from \$1.10 to \$2.38, which is a net increase of \$0.18 over the average
13 bill impact of TEP's proposed Updated Plan.

14
15 RUCO opposes the additional \$6.5 million because it effectively scuttles
16 the compromise the parties worked to achieve. And the utility is not
17 asking for the additional funds. Additionally, RUCO is unclear which
18 programs would be bolstered by the extra money. Finally, RUCO is
19 unclear of just how much closer the extra \$6.5 million would take TEP to
20 meeting the Standard. At a time when the Commission has made it clear
21 that accountability is a priority when it comes to energy efficiency, the
22 additional \$6.5 million is not justified.

23

1 **Q. Does RUCO support Staff's recommendation that there be no floor**
2 **payments established for any Performance Incentive?**

3 Normally, RUCO would find Staff's point persuasive. "A floor would have
4 the effect of guaranteeing a \$2.6 (million) Performance Incentive,
5 regardless of the savings actually achieved." (McNeely-Kirwan, Direct
6 Testimony, p. 11) So guaranteeing a minimum amount with a possibility
7 of the utility not meeting that performance level would normally go against
8 RUCO's philosophy.

9
10 For this docket, under these limited set of facts, RUCO does not adopt
11 Staff's recommendation for five reasons. First, the Updated Plan is merely
12 a bridge until a long range Energy Efficiency strategy may be more
13 thoroughly vetted in TEP's rate case. Second, after meeting with
14 stakeholders, TEP agreed to collect an amount under this Updated Plan
15 that is less than what TEP originally sought and is less than what it may
16 be entitled to if TEP had pushed the issue. Third, the level of performance
17 incentive funding is only a single component of the overall \$18.5 million
18 budget and is part of the give and take of the negotiating process. Fourth,
19 TEP has given every indication of acting in good faith and will probably
20 meet the performance level needed to earn the minimum incentive
21 amount. Fifth, after this long, arduous and protracted proceeding, RUCO
22 understands that a floor provides an assurance of a minimum amount of

1 revenues to be collected and sends a positive signal to Wall Street and
2 rating agencies.

3
4 **Q. What is RUCO's opinion on the comments made in TEP's Direct**
5 **Testimony regarding the structuring of a Performance Incentive**
6 **going forward as proposed in its rate case?**

7 A. RUCO finds these comments unrelated to the pending Updated Plan.
8 While TEP may wish to preview the detail of its rate case Application now,
9 RUCO limits its comments to the Updated Plan and nothing more. RUCO
10 will address the various components of TEP's energy efficiency rate case
11 proposal in that docket.

12
13 **Q. Any final comments?**

14 A. Yes. RUCO would like to reiterate that the Updated Plan provides
15 balance. TEP may begin collection of monies due from previous
16 Commission Orders authorizing new EE programs without adjusting the
17 DSMS to accommodate these costs. The Updated Plan provides more
18 expansive EE programs for TEP's customers to utilize in order to reduce
19 their electric bills. Finally, the Updated Plan results in a manageable
20 increase to the average bill of \$1.10.

21
22 **Q. Does that conclude your testimony?**

23 A. Yes it does.